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FM AMEMBASSY BEIJING  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3430  
INFO RUEHOO/CHINA POSTS COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 007098

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E.O. 12958: DECL: 11/14/2027  
TAGS: [PREL](#) [PGOV](#) [CH](#) [JN](#) [IN](#)  
SUBJECT: CAUTIOUS OPTIMISM ON CHINA-JAPAN TIES DESPITE LACK  
OF EAST CHINA SEA PROGRESS

Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.  
4 (b/d).

#### Summary

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¶1. (C) Chinese and Japanese contacts were cautiously optimistic about Japanese PM Fukuda's impact on China-Japan relations, highlighting his "balanced" approach, but they were hesitant to predict any significant developments in the near term. The October round of talks on joint energy exploration in the East China Sea ended without progress, our interlocutors said. A PRC official underscored the "big gap" between Chinese and Japanese positions, citing disagreement over exploration of the Chunxiao field near the Sea's midpoint. There may be progress on the East China Sea issue before PM Fukuda's upcoming China visit, according to a Japanese diplomat. Chinese contacts downplayed the "accidental" timing of the Japanese and Chinese lunar probes' launching in October, stressing there is no "competition" between their space programs. A Japanese Embassy official noted Chinese displeasure at planned mid-November visits to Japan by the Dalai Lama and Uighur activist Rebiya Kadeer. End Summary.

#### Assessment of PM Fukuda

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¶2. (C) MFA Asian Affairs Department Japan Division Deputy Director Lu Guijun told Poloff on October 26 that PM Fukuda's "steady" style is a "good thing" for Sino-Japanese ties. Fukuda "understands China" and was close to China even before he became Prime Minister. The fact that PM Fukuda has promised not to visit Yasukuni Shrine demonstrates his more "balanced" approach, compared with former PM Abe who did not specifically promise to avoid the shrine, Lu said. Peking University (Beida) Professor Liang Yunxiang was reluctant to declare that ties had already improved under Fukuda. "There has not been a fundamental improvement yet," stated Professor Liang on October 31. "The atmosphere is better," but concrete issues have not yet been addressed. At the very least, China's relations with Japan "will not be bad."

¶3. (C) Japanese Embassy First Secretary Akira Yokochi was upbeat about the PRC's impression of PM Fukuda on October 25, citing the Prime Minister's father's role in negotiating a friendship treaty with China in the 1970s. Yokochi did not foresee a major change in Chinese policy toward a Fukuda-led Japan. University of Shizuoka Professor Hajime Izumi (who was participating in a conference in Beijing and who claimed to know the Prime Minister well, having met with Fukuda once per month during his tenure as Chief

Cabinet Secretary) told Poloff on October 29 that he is optimistic the bilateral relationship will continue to develop, though he was hesitant to predict any breakthroughs. Professor Izumi underscored that PM Fukuda "likes China." The only trip abroad Fukuda made while Chief Cabinet Secretary was to China, and any overseas trip in that position is unusual, he stated.

14. (C) Professor Izumi said if it were up to Fukuda, Japan would be more flexible on the WWII history issue. However, the PM has to consider the domestic Japanese constituency as well. According to Izumi, Fukuda is not supportive of the controversial "Arc of Freedom and Prosperity," as it was a formulation of Aso's MOFA and not official Liberal Democratic Party (LDP) policy. This idea will not be continued, he stressed. Nonetheless, Izumi expected that Fukuda will push increased engagement with Southeast Asia and India and will "compete" with China internationally. Izumi stressed to Poloff that the PM Fukuda, unlike Koizumi and even Abe, is more interested in cooperating and handshaking "above the table," while "kicking" China under the table. China, the Professor assessed, appreciates this face-saving approach.

Hazards Remain in the East China Sea  
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15. (C) The October round of China-Japan talks on joint exploration in the East China Sea ended without progress, contacts told us. Beida Professor Liang said even if the two sides do not address the issue of sovereignty "on the surface," the discussion of a joint development area is essentially a sovereignty

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issue. Japan wants to open up the whole of the East China Sea to joint exploration because it does not recognize Chinese claims. Meanwhile, Liang said that China has already begun exploration of a sizable portion on "its side" and wants to move its own development "east of the middle line." MFA Deputy Director Lu noted there is a "big gap" between Chinese and Japanese positions. The Japanese side put forth unreasonable demands that it had not raised in previous rounds, he stated. For example, the Chunxiao field is on China's side of the "unilateral" line Japan claims as the border demarcation. Since the 1970s, Lu said, China has been exploring the Chunxiao field. Hydrocarbons were discovered there in 2004, and Japan has now requested that China cease its operations. Previously, Japan tacitly approved Chinese development, said Lu. Japanese Embassy's Yokochi confirmed that one of the main issues in the last round related to Chunxiao. One strand of this field is connected to the Japanese side, Yokochi explained. Japan asked China to present a paper on the Chunxiao "station," he said.

16. (C) MFA's Lu expressed his frustration: while China has given concessions, Japan has "even higher demands." Lu was not optimistic about an early breakthrough in the talks. "These are difficult negotiations," he said, "and Japan's demands are too high." Yokochi presented a similar viewpoint from the Japanese side. Japan is not satisfied with China's attitude, he said. The Chinese view the issue within the greater context of sovereignty and territory, which complicates negotiations. However, the Sino-Japanese "strategic" relationship hinges on solving this issue, Yokochi stated. Japan has already made concessions, and China has not changed its stance at all, he complained. The Japanese Poloff said he was "irritated" and "sick and tired of negotiating with the Chinese side." Yokochi stated that he supports

using the International Court of Justice to "give advice" on resolution. Lu said the Chinese have not considered asking an international body to weigh in. Both sides are willing to continue consultations, Lu stated, adding that China is prepared to "work hard," and Japan should do the same. He stressed that both parties should make concessions: it should not be up to China to simply accept the unilateral demands of the Japanese side.

17. (C) Japanese Poloff Yokochi was hopeful that there will be progress before PM Fukuda's visit to China, but he was not optimistic that there will be a breakthrough in the near term. Now that the Chinese Communist Party Congress has adjourned, President Hu Jintao is in a "strong position" to adjust China's stance on this issue, Yokochi argued. Concessions from the PRC were more difficult before Hu consolidated his power, he said. Professor Izumi assessed the possibility of a breakthrough to be slim. China wants to "wait and see" on the East China Sea because they perceive Fukuda to be weak. China does not have to resolve this issue soon, Izumi stressed. Yokochi mentioned that Chinese Premier Wen Jiabao and PM Fukuda may have an opportunity to discuss the East China Sea issue on the sidelines of the upcoming East Asia Summit in Singapore.

#### The DJP and China Policy

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18. (C) In response to questions about the LDP's staying power, Japanese Poloff Yokochi asserted that Japan's policy toward China will not change, no matter which party is in power. Since Abe's 2006 visit, the Sino-Japanese relationship has increasingly been characterized by "strategic" ties, he said. The Democratic Party of Japan (DJP) has no better option than to continue the current policy. They do not support visits to Yasukuni Shrine, they do not support visits of high-level Taiwan leaders, nor do they support "denying historical facts." The DJP has the same position as the LDP on these key issues, Yokochi stated. Professor Liang told us that opposition DJP leader Ozawa "understands" China. Liang predicted that lower house elections will take place in mid-2008, but a "strong" LDP showing would likely keep the DJP from power.

19. (C) Professor Izumi said that he met with Japanese FM Komura earlier in October, during which they discussed China issues. According to Izumi, the LDP leadership is aware of a "special relationship"

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between DJP leader Ozawa and recently-appointed Politburo Standing Committee Member Li Keqiang. Ozawa apparently met Li during a youth exchange in the 1980s. The two have maintained contact over the years, and Li stayed at Ozawa's house in his hometown, Izumi said. In addition, Li met with Ozawa during the Japanese opposition leader's recent trip to China. The LDP is "concerned" about this relationship, Izumi told us. PM Fukuda has a "strong hope" and interest in inviting the new Politburo leadership to Japan after President Hu's planned visit in 2008.

#### Chinese: No Space Race

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110. (C) Both the MFA's Lu and Beida's Liang downplayed any competition between China and Japan on lunar probes. China launched its first probe to the moon in October, a week after Japan. The timing was purely "accidental," said Lu. He told Poloff that China invited Japanese space officials to observe the

launch. There is no "competition," Lu stressed. Liang suggested that it was not China, but Japan that scheduled its launch date with China's in mind. China's moon shot was planned to coincide with the conclusion of the Party Congress, said the Professor.

#### Building Long-Term Trust

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¶11. (C) Deputy Director Lu was quick to cite recent "beneficial developments" in the Sino-Japanese relationship, especially in comparison to 2005. The Japanese people feel a closer sense of friendship with China, and the two sides have reached an "important consensus," Lu stated. However, Beida Professor Liang was pragmatic in his long-term assessment of the relationship. It will take at least 20 years before there is a dramatic improvement in bilateral ties, said Liang. His prediction rested on the precondition that relations are stable. Economic issues and environmental protection are good starting points for Sino-Japanese cooperation, the Professor said. Shizuoka Professor Izumi also argued that economic issues are "good agenda items" for "future cooperation." In the defense arena, Beida's Liang argued that the United States can play a constructive role between China and Japan. When the United States and Japan hold military exercises, China could also participate, he suggested, adding that China's relationship to the U.S.-Japan alliance could mirror the "partnership" between Russia and NATO.

#### Upcoming Events

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¶12. (C) MFA Deputy Director Lu, Professor Liang and Japanese First Secretary Yokochi all predicted that PM Fukuda will visit China in 2007 or early 2008. A decision on specific timing has not yet been made, Lu and Yokochi concurred separately. On November 9, an MFA Japan Division official told Poloff that no specific date had been set for the next round of the East China Sea dialogue, though she indicated the talks will likely take place in November. The same contact revealed that the high-level economic dialogue with Japan will begin December 1.

¶13. (C) Yokochi noted that the MFA called in the Japanese Ambassador because of the Dalai Lama's planned visit to Japan November 14. It will be the 22nd time the Tibetan religious leader has visited, and he will not meet Fukuda, according to Yokochi. The MFA also complained to Japan's Ambassador that the Dalai Lama will meet with Uighur activist Rebiya Kadeer while there, though Yokochi maintained that his government had no information regarding the meeting.

¶14. (C) On December 13, there will be a ceremony in Nanjing to mark the reopening of the Rape of Nanking museum, Yokochi told Poloff. The Japanese diplomat said the exhibits at the museum prior to the renovation were "terrible" and encouraged young people to dislike Japan. Many Japanese officials have encouraged the PRC to make the museum's contents more "positive" toward the Japanese Government and the Japanese people, he said.

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